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Title of paper

Capital flows, monetary policy and macroprudential policy: reflections from the Turkish experience

Biographical details/achievements

Hakan Kara is the Chief Economist of the Central Bank of Turkey. Previously, he held positions at the central bank as Director General of the Research and Monetary Policy Department and Head of the Economic Modelling and Forecasting Division. He has been closely involved with the design and implementation of monetary and macroprudential policies in Turkey since 2002. Hakan Kara has a PhD degree from New York University where he was advised by Professor Mark Gertler. Dr Kara has also held part-time faculty positions at Bilkent University and Middle East Technical University, and published extensively in leading international and domestic academic journals. He has been a member of the *International Journal of Central Banking* management committee since 2014.

Abstract of paper

The predominant role of cross-border financial flows for macroeconomic and financial stability has imposed complex policy trade-offs for emerging economies, especially after the global financial crisis. In this presentation we provide a brief account of the monetary and macroprudential policy approach adopted in Turkey during the post-global crisis period when global capital flows exhibited unprecedented volatility. Special emphasis is put on the use of monetary policy tools for macroprudential purposes. We first highlight the particular role of external flows and the associated trade-offs in designing the monetary policy and macroprudential policy framework, where the interaction between capital flows, the exchange rate and credit growth takes a central role. Next, we describe the policy implementation by the central bank and the regulatory authorities, and evaluate the consequent outcomes. Our analysis suggests that monetary and macroprudential policies have contributed to the improvement in external balances, dampened financial amplification channels and reduced the sensitivity of the Turkish economy to capital flows. However, the complexity of the multiple tools-multiple instruments framework has posed additional communication challenges for monetary policy.